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REPLY TO:
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MILLER ALFANO & RASPANTI P.C.

FOR DISCUSSION PURPOSES ONLY

March 20, 2003

BY FAX and FIRST CLASS MAIL

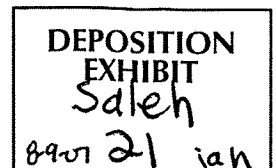
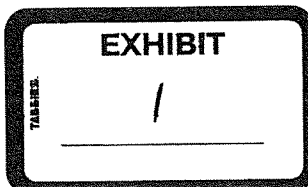
Alan J. Steinberg, Esquire
Horty, Springer & Mattern, P.C.
4614 Fifth Avenue
Pittsburgh, PA 15213

Re: V&S Medical Associates

Dear Mr. Steinberg:

Thank you for your March 14, 2003 letter and your update during our conversation of March 18, 2003. As you know, Mr. Kabala has been your primary contact in the discussions regarding the V&S Medical Associates' nuclear camera. In his absence, I am happy to provide you with some preliminary reactions to the Medical Center's counterproposal. Given that I have not been a party to any of the meetings, however, I renew my request for your patience in awaiting his return for final resolution of these matters. Given the spirit of cooperation that I am pleased to see now exists between the parties, I am hopeful that this will not be a problem.

It is my understanding that on Saturday, March 8, 2003, Drs. Vaccaro and Saleh and Mr. Kabala met with you, Mr. Mulholland and Mr. Leonhardt for over three hours. The discussions focused primarily on the details of a proposed lease agreement between the Medical Center and V&S Medical for the nuclear camera. This was after the lease concept had been rejected by the hospital. It is my further understanding that the deal as initially posed by my clients was a 5 year/\$2,000 per day lease in which the nuclear camera would be moved from the V&S offices to the Medical Center. By the end of the meeting, the doctors agreed to a 5 year/\$1,500 per day lease. Thus, the Medical Center's current proposal of a 3 year/\$1,200 per day lease is for a substantially shorter period of time and for an amount significantly lower than the initial proposal.



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In arriving at the lease proposal, please consider what the doctors have agreed to forego. First is convenience. The doctors currently can order a test, have it performed and obtain accurate, thorough results within six to eight hours. As you may know, one of the reasons the doctors pursued installing the nuclear camera was a concern about the time delays and accuracy of the Medical Center nuclear reports. While the doctors fully expect that those problems will be resolved, there is no doubt that having tests performed on-site is more convenient for both the doctors and the patients.

Second, the doctors are losing the significant up-front costs that were involved with installing the nuclear camera. The doctors secured additional space and paid for the renovations necessary for the camera.

Third, the doctors have also agreed, at least in principle, to provide the hospital with the right of first refusal for future ventures such as CT, MRI or other diagnostic imaging services. While the doctors believe that it is in both the Medical Center's and their best interest to work cooperatively on any such venture, there is little doubt that the financial benefit will inure to the hospital.

Fourth, please consider that the numbers as discussed at the March 8th meeting only contemplated the use of the camera five (5) days per week. Given that the nuclear camera would be moved to the hospital, there is no reason that it could not be utilized seven (7) days a week. Thus, the hospital is basing its payments on a five (5) day per week model, when it is very probable that services would be provided over seven (7) days. These extra days of usage have not heretofore been factored into the negotiations.

Finally, during the term of the sublease, the doctors will agree not to compete the services provided in connection with the subleased equipment or invest in any entity that chooses to do so. Thus, a five year sublease benefits both parties. I know that it is your position that a five year lease is out of the ordinary for hospitals. I believe, however, the circumstances surrounding this arrangement fit squarely into the out of the ordinary category.

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For these reasons, we believe that the offer as initially negotiated is reasonable and fair. It was certainly made in good faith and in the spirit of cooperation.

The lease arrangement appears to be the optimal solution for both sides. If, however, it is not possible to agree to terms, the doctors still are interested in pursuing the under arrangements model. To that end, our accountants have requested additional information for their analysis. I will provide their request under separate cover.

In your letter, you also raised the issue of how the lease arrangement impacts the position of the four physicians associated with V&S Medical with respect to the Physician New Co. The lease would not affect the status of those discussions. The doctors still anticipate taking the lead in developing and maintaining the primary role in the Physician New Co. We will need to address the issues that were raised by both parties before the discussions were tabled in favor of the lease arrangement.

As I mentioned, we ask that the Medical Center discontinue the practice of raising the V&S ultrasound procedures as if they are relevant to the present discussions. It is disconcerting to the doctors and not applicable as (1) several other physician offices either perform or plan to perform ultrasound procedures and have not been subject to Board scrutiny; and (2) in the procedures for assessing competing financial relationships, the Board expressly acknowledges that as of May 23, 2001 (well after the ultrasound was installed at V&S Medical) no services were being offered by any member of the Medical Staff that were perceived to be competing financial relationships. It is my understanding that this statement was included to make it clear that physician-based ultrasound procedures were excluded.

Thank you for your diligence. I am happy to see that this matter is being resolved in a noncontentious process. I firmly believe that both our clients benefit from an amicable solution and that we are close to reaching one. While I understand the Board's desire to finally resolve this matter, I hope that they will view

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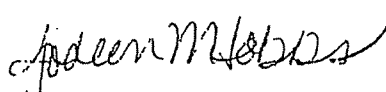
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the progress in March as substantial and refrain from taking any action until after Mr. Kabala has returned from his scheduled vacation.

Very truly yours,



JODEEN M. HOBBS

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